

Earthquake

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Commissioner

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EARTHQUAKE



The California Insurance Code requires insurance companies to advise residential property insurance policyholders of the availability of earthquake coverage and give them the option of insuring against loss caused by that peril in earthquake-prone California.

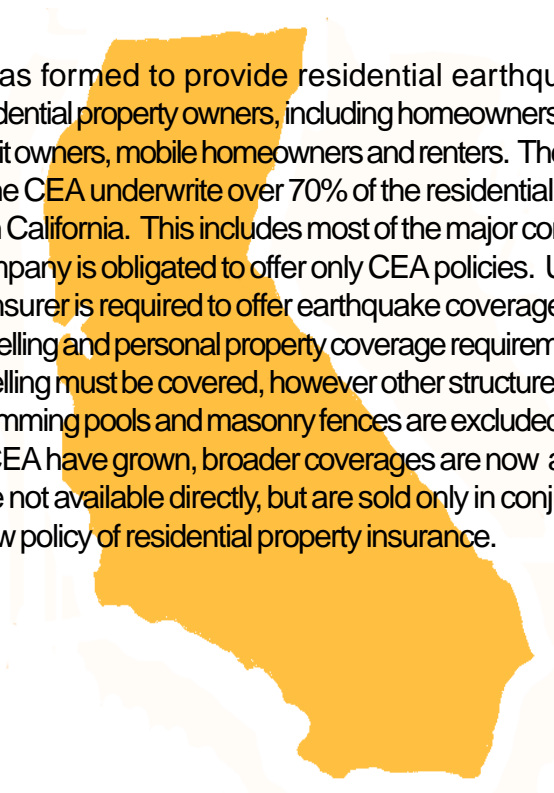
OFFER AND RESPONSE

The Insurance Code requires any insurer writing residential property insurance to offer its prospective and existing insureds coverage for loss due to earthquake. The offer must be in writing. It must describe the coverage, subject to the minimum coverages described in the Insurance Code, and state the premium. The insured has 30 days from the date of mailing to accept the offer. If no response is received, the offer is considered to have been rejected. If the offer is not accepted, the insurer is required to make the offer again on an every other year basis. The means an insurer has of making the offer, may be by offering the coverage directly, arranging with an affiliated company, arranging with a nonaffiliated insurer, or participating in the California Earthquake Authority.

Minimum Coverage

The offer of earthquake must include the dwelling, personal property coverage, not less than \$5,000, and at least \$1,500 additional living expenses (ALE) coverage. The policyholder may waive the ALE coverage if the dwelling is not owner-occupied. The deductible will generally be 15% of the dwelling coverage. This is the maximum allowed by law. The best way to find companies offering other than the minimum coverage, or “stand-alone” earthquake coverage is to contact independent agents and brokers.

CALIFORNIA EARTHQUAKE AUTHORITY (CEA)



The CEA was formed to provide residential earthquake insurance to residential property owners, including homeowners, individual condominium unit owners, mobile homeowners and renters. The companies participating in the CEA underwrite over 70% of the residential property insurance sold in California. This includes most of the major companies. A participating company is obligated to offer only CEA policies. Under the CEA plan, the insurer is required to offer earthquake coverage subject to the minimum dwelling and personal property coverage requirements. Under this plan, the dwelling must be covered, however other structures such as outbuildings, swimming pools and masonry fences are excluded. As the reserves of the CEA have grown, broader coverages are now available. CEA policies are not available directly, but are sold only in conjunction with an in-force or new policy of residential property insurance.

SPECIAL PROVISIONS

Generally, one or more earthquake shocks that occur within a 72 hour period constitute a single earthquake for insurance purposes.

If your property is not in compliance with the Building Code and Health and Safety Code requirements relating to foundation anchor bolting and water heater bracing, the insurer must still offer the earthquake coverage, but may charge an additional premium and/or increased earthquake deductible for it. The insurer must also disclose in writing any available discounts or surcharges for earthquake hazard reductions.

If your dwelling has been completely retrofitted and the insurer has verified that fact, you must be offered \$10,000 coverage for reconstruction cost required to bring your dwelling up to current local building codes as required for approval of the reconstruction permit after an earthquake.

The insurer must also disclose in writing any available discounts or surcharges for earthquake hazard reductions.

“Retrofitting” includes but is not limited to the following:

- a. the residential dwelling is tied to the foundation, through anchor bolting, and sheer walling;
- b. the fireplace chimney is reinforced; and
- c. the water heater is secured to the building frame.

CANCELLATION / REJECTION / NONRENEWAL

The law prohibits an insurer from canceling, rejecting, or refusing to renew a residential property insurance policy just because the policyholder has accepted the offer of earthquake coverage.

PROXIMATE CAUSE

Sometimes, an earthquake and/or its aftershocks cause other events to occur which result in damage. When an event such as an earthquake causes other events to occur, the earthquake is referred to as the “proximate cause” of the resulting damage as opposed to “direct cause.” The California Insurance Code states that unless an endorsement, or policy providing earthquake coverage is in force, the loss is not covered, even if the direct cause is a covered peril. The same Insurance Code Section provides that an insurer is not precluded from providing coverage for direct loss caused by explosion, theft, or glass breakage resulting from earthquake, in the absence of earthquake insurance. You should read your policy and contact your company. Do not assume that type of damage is not covered.

FIRE

The Insurance Code provides that the insurer is not exempt from its obligation under a fire insurance policy to cover the losses of a fire which is caused by or follows an earthquake, regardless of the existence or lack of earthquake coverage.

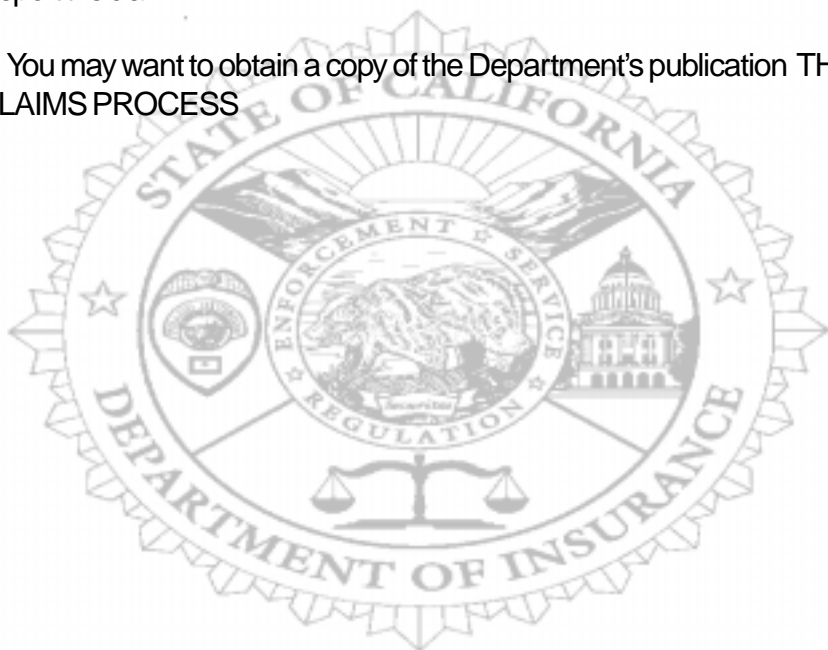


REPORTING AN EARTHQUAKE CLAIM

As with all types of claims, an earthquake claim should be reported as soon as reasonably possible. Determining the true extent of earthquake damage can be difficult, so be diligent in the face of discovered facts and do not allow yourself to be put off by statements that the damage probably does not exceed your deductible. Insist on being provided with a claim number, the name of the party you are communicating with, and when the company will do an inspection. Follow up with a written report and keep a copy. Much earthquake damage may be hidden, so insist on a thorough inspection as soon after you discover appreciable damage as practicable.

The law and your policy permit companies to deny claims that are not reported within one year of the “inception of the loss.” Inception of the loss is that point in time when appreciable damage is, or should have been, discovered by an insured who has been diligent in the face of discovered facts. If you discover appreciable damage or if you know of anything that indicates to you that there could be appreciable damage, act- do not wait. Report the claim.

You may want to obtain a copy of the Department's publication THE CLAIMS PROCESS

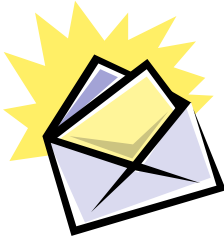


TALK to US

*Do you have a question, comment or concern?
There are several ways to talk to us:*



1. **Call** our consumer Hotline at **(800) 927-HELP**
Callers within the Los Angeles area please dial **(213)- 897-8921**
Telecommunication Device for the Deaf dial **(800) 482-4TDD**



2. **Write:** **California Department of Insurance**
300 South Spring St., South Tower
Los Angeles, CA 90013



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